

## Compensation and Reimbursement

### **Payer Processes for Payment Authorization and Coverage Verification (1301)**

*Source: Council on Pharmacy Management*

To advocate that public and private payers collaborate with each other and with health care providers to create standardized and efficient processes for authorizing payment or verifying coverage for care; further,

To advocate that payment authorization and coverage verification processes (1) facilitate communication among patients, providers, and payers prior to therapy; (2) provide timely payment or coverage decisions; (3) facilitate access to information that allows the pharmacist to provide prescribed medications and medication therapy management to the patient; and (4) foster continuity in patient care.

*This policy supersedes ASHP policy 1206.*

### **Drug Product Reimbursement (1304)**

*Source: Council on Pharmacy Management*

To pursue, in collaboration with public and private payers, the development of improved methods of reimbursing pharmacies for the costs of drug products dispensed, compounding and dispensing services, and associated overhead; further,

To educate pharmacists about those methods.

*This policy supersedes ASHP policy 0207.*

### **Revenue Cycle Compliance and Management (1205)**

*Source: Council on Pharmacy Management*

To encourage pharmacists to serve as leaders in the development and implementation of strategies to optimize medication-related revenue cycle compliance, which includes billing, finance, and prior authorization, for the health care enterprise; further,

To advocate for the development of consistent billing and reimbursement policies and practices by both government and private payers; further,

To advocate that information technology (IT) vendors enhance the capacity and capability of IT systems to support and facilitate medication-related billing and audit functions; further,

To investigate and publish best practices in medication-related revenue cycle compliance and management.

*This policy supersedes ASHP policy 9902.*

### **Value-Based Purchasing (1209)**

*Source: Council on Pharmacy Management*

To support value-based purchasing reimbursement models when they are appropriately structured to improve health care quality, patient satisfaction, and clinical outcomes, and encourage medication error reporting and quality improvement; further,

To encourage pharmacists to actively lead in the design and interdisciplinary implementation of medication-related value-based purchasing initiatives.

*This policy supersedes ASHP policy 0708.*

### **Reimbursement for Unlabeled Uses of FDA-Approved Drug Products (0206)**

*Source: Council on Administrative Affairs*

To support third-party reimbursement for FDA-approved drug products appropriately prescribed for unlabeled uses.

*This policy was reviewed in 2011 by the Council on Pharmacy Management and by the Board of Directors and was found to still be appropriate.*

## ASHP Policy Positions 2009–2016 (with Rationales)

### Pharmacy Management: Compensation and Reimbursement

#### 1301

##### **PAYER PROCESSES FOR PAYMENT AUTHORIZATION AND COVERAGE VERIFICATION**

*Source: Council on Pharmacy Management*

To advocate that public and private payers collaborate with each other and with health care providers to create standardized and efficient processes for authorizing payment or verifying coverage for care; further,

To advocate that payment authorization and coverage verification processes (1) facilitate communication among patients, providers, and payers prior to therapy; (2) provide timely payment or coverage decisions; (3) facilitate access to information that allows the pharmacist to provide prescribed medications and medication therapy management to the patient; and (4) foster continuity in patient care.

*This policy supersedes ASHP policy 1206.*

##### **Rationale**

Patients and health care providers are required to navigate an array of payment requirements from private and public payers. Private insurers enforce their own prior authorization procedures, state Medicaid programs have their individual program requirements, and Medicare has its local and national coverage determinations. These payment authorization and verification processes vary considerably from payer to payer and are time consuming and needlessly complex. The required data, forms of documentation required, submission processes, coverage verification procedures, and delivery of approval vary widely among payers. These processes are often not integrated into the patient-care process and require manual documentation and submission. The lack of timely review and approval may delay patient care. Payment authorization and verification processes should effectively facilitate communication among both patients and providers, should be standardized and automated, and should result in timely decisions that do not disrupt patient care.

#### 1304

##### **DRUG PRODUCT REIMBURSEMENT**

*Source: Council on Pharmacy Management*

To pursue, in collaboration with public and private payers, the development of improved methods of reimbursing pharmacies for the costs of drug products dispensed, compounding and dispensing services, and associated overhead; further,

To educate pharmacists about those methods.

*This policy supersedes ASHP policy 0207.*

**Rationale**

In well-intentioned efforts to reduce health care costs, public and private payers often seek to minimize the reimbursement to pharmacies for drug products. Historically, those reimbursements have sometimes exceeded the simple cost of the drug product to reimburse pharmacies for associated costs (e.g., storage, compounding, preparation, dispensing). Because cost-management efforts are likely to continue to reduce pharmacy reimbursement, other means of compensating pharmacies for those expenses will need to be found, and pharmacists will require education about those reimbursement methods.

**1205**

**REVENUE CYCLE COMPLIANCE AND MANAGEMENT**

*Source: Council on Pharmacy Management*

To encourage pharmacists to serve as leaders in the development and implementation of strategies to optimize medication-related revenue cycle compliance, which includes billing, finance, and prior authorization, for the health care enterprise; further,

To advocate for the development of consistent billing and reimbursement policies and practices by both government and private payers; further,

To advocate that information technology (IT) vendors enhance the capacity and capability of IT systems to support and facilitate medication-related billing and audit functions; further,

To investigate and publish best practices in medication-related revenue cycle compliance and management.

*This policy supersedes ASHP policy 9902.*

**Rationale**

Pharmacy has an increasingly important role in optimizing revenue capture and avoiding revenue erosion resulting from improper billing or inadequate documentation of medication-related charges. Pharmacy needs to be involved in aspects of medication-related billing, including not just pharmacy drug charges and billing but also contracting and negotiating for carve-outs. Pharmacy leaders need to actively engage senior leadership and collaborate with various departments to ensure organizational success in revenue cycle management.

Recently, organizations have experienced increasing compliance pressures. This pressure comes from many sectors, including Centers for Medicare & Medicaid Services (CMS) programs plus state-specific requirements, third-party payers, and financial intermediaries. These policies impact organizations in two ways: increased requirements before the insurers will pay for a claim, and increased audit pressure to be sure the organizations are billing accurately. The frequency and nature of audits has also been changing. Insurers have increased the use of audits to control costs. Government agencies have also increased the use of audits. CMS has implemented Recovery Audit Contractor (RAC) audits, and the Office of the Inspector General is also auditing organizations. Results of the audits can have significant financial impact

on the organization when money needs to be returned based on improper billing or lack of documentation.

Historically, pharmacy departments have great strength in managing supply chain issues. Drug expenditures are typically a significant portion of any hospital's budget. Pharmacy is a key leader in managing these expenses. However, pharmacy departments are involved in broader revenue cycle management in variable ways. In some organizations, the billing or patient accounting departments handle all billing issues with various degrees of pharmacy involvement. Accurate billing requires integration of the organization's clinical services, pharmacy, billing, and charge master functions. The required elements for proper billing may reside in several systems. As coverage decisions become more complex, pharmacy expertise is increasingly required in the clinical coverage decisions and information integration in order to be successfully reimbursed for services. For the health care enterprise to successfully manage compliance and optimize revenue capture there must be effective collaboration among various departments. Pharmacy knowledge and leadership is increasingly required to ensure organizational success in revenue cycle management.

Each insurer has different requirements for coverage determinations, and coverage decisions have become more complex. More drugs now require prior authorization processes. In some cases, even if the prior authorization process has been used, the charge is denied. Medicare implemented the requirements for self-administered drugs (SADs) several years ago. Diabetic supplies are now handled under durable medical equipment (DME) requirements, which may require different data elements before a bill is processed. Medicaid requires the National Drug Code (NDC) prior to payment, and billing requirements for Medicare and Medicaid programs are not harmonized. Healthcare Common Procedure Coding System (HCPCS) codes also need to be attached where indicated. It is challenging to keep up with all the changes. New International Classification of Disease 10 (ICD-10) codes will further complicate required coding. Current IT solutions are inadequate and do not effectively facilitate effective billing. Current systems are often not designed to capture all necessary information required to properly document and bill. Even when necessary data is captured it often resides in different departmental computer systems that are not integrated and designed to share data. There is a need for more effective IT solutions to facilitate both billing and audits. Greater consistency in billing and reimbursement practices would facilitate greater compliance and enable the development of effective technology solutions to facilitate the billing and reimbursement processes.

Since pharmacy leaders have had variable levels of engagement in revenue cycle management, there is a need for education, tools, and resources related to best practices. Some pharmacy departments have created a business manager position in part to deal with these issues. This position is often not a pharmacist, but a staff member with business education. New roles for pharmacy technicians have also emerged in this area. ASHP and the Section of Pharmacy Practice Managers (SPPM) should seek to develop and share best practices and provide education to support pharmacists in optimizing pharmacy's role in revenue cycle compliance.

**1209**

**VALUE-BASED PURCHASING**

*Source: Council on Pharmacy Management*

To support value-based purchasing reimbursement models when they are appropriately structured to improve health care quality, patient satisfaction, and clinical outcomes, and encourage medication error reporting and quality improvement; further,

To encourage pharmacists to actively lead in the design and interdisciplinary implementation of medication-related value-based purchasing initiatives.

*This policy supersedes ASHP policy 0708.*

***Rationale***

[Value-based purchasing](#) is one aspect of a portfolio of health care reform incentives based on pay-for-performance principles. It is currently constructed of 12 clinical outcomes measures and one “measure” of patient experience utilizing the Hospital Consumer Assessment of Healthcare Providers and Systems Survey (HCAHPS). CMS is expanding its Potential Future Measures for Hospital Value-based Purchasing Program to consider the following measures for the [Hospital Value-based Purchasing Program](#):

- Spending per Hospital Patient with Medicare
- Serious Complications and Deaths
- Hospital Acquired Conditions
- Emergency Department Wait Times
- Heart Patients Given a Prescription for Drugs called Statins at Discharge
- Central Line-associated Blood Stream Infection
- Surgical Site Infections
- Immunization for Influenza
- Immunization for Pneumonia
- Temperature Management for Patients after Surgery

ASHP policy 0708 needs to be broadened to include the concepts of value-based purchasing and incorporate the concepts of clinical outcomes and patient satisfaction in addition to quality. ASHP policy should recognize the pharmacist’s leadership role while explicitly acknowledging the interdisciplinary nature of initiatives designed to achieve value-based purchasing measures.